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C O N F I D E N T I A L SECTION 01 OF 04 TEL AVIV 006751

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DOE FOR NNSA ADMINISTRATOR AMBASSADOR LINTON BROOKS DEPARTMENT FOR NEA/IPA (MAHER) AND NP/RA (ODLUM)

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TAGS: PREL PINR PGOV PTER EAID ENRG ETTC MASS OTRA PARM TRGY TSPL GOI INTERNAL GOI EXTERNAL ISRAELI PALESTINIAN AFFAIRS ISRAEL RELATIONS
SUBJECT: SCENESETTER FOR AMBASSADOR BROOKS' DECEMBER 6-9
VISIT TO ISRAEL

Classified By: DCM Gene A. Cretz. Reasons: 1.4 (b, d)

11. (C) Mr. Ambassador: Your visit to Israel will be taking place at a time when Israel's domestic political situation is in flux and progress is being made on the Israeli-Palestinian conflict. Anxiety in Israel is high about Iran and its nuclear weapons program, political instability in Syria and Lebanon, and the terrorist threats that emanate from those two countries, as well as from Palestinian controlled areas. Amid all of this, the U.S.-Israel relationship remains strong, based on our support for Israel since its formation in 1948, our shared cultural and political values, and our common strategic interests. Despite some turbulence in the relationship over significant technology transfer scandals, our cooperation in scientific research areas involving the DOE, the Israeli Atomic Energy Commission, and Israel's Soreq Nuclear Research Center has proceeded and is viewed positively by the Israeli side. ¶1. (C) Mr. Ambassador: Your visit to Israel will be taking

ISRAEL'S DOMESTIC POLITICAL SITUATION IN FLUX

- 12. (U) Since the withdrawal of Jewish settlers, and the Israeli Defense Forces (IDF) protecting them, from the Gaza Strip and four settlements in the northern West Bank in August, Israel's political situation has been in flux, with "rebels" from Prime Minister (PM) Ariel Sharon's own Likud Party -- and former PM Binyamin Netanyahu -- challenging Sharon's leadership. Then, on November 9, Labor Member of the Knesset (MK) Amir Peretz successfully challenged former PM Shimon Peres for the leadership of the Labor party, securing for himself leadership of the second largest party in PM Sharon's coalition government. Labor subsequently withdrew from the government. In a bold response to the rebels within his own party, PM Sharon then left Likud and asked President Katsav to dissolve by decree Israel's parliament, the Knesset. Labor's calls for early elections led to an agreement by all parties to hold general elections in March 2006 (instead of, as scheduled, in November), kicking off the general election campaign. PM Sharon is now building up his new "Go Forward" (Kadima) Party with MKS defecting from Likud, Labor and other parties in the Knesset. At the same time, he is reaching out to mayors across Israel to garner support from Israel's political center.
- 13. (C) You are scheduled to meet with PM Sharon on December 13. (C) You are scheduled to meet with PM Sharon on December 18. Our GOI contacts caution, however, that the meeting could be canceled as a result of fast-breaking political events. Our contacts have assured us that the meeting -- organized by the Israel Embassy in Washington, D.C. -- is essentially a courtesy call, and that any substantive discussions would be limited to a general, positive review of the DOE's cooperation with its Israeli counterparts.
- PROGRESS IS BEING MADE ON PALESTINIAN ISSUES
- 14. (C) In a process the Israelis called "disengagement" and the Palestinians called "withdrawal," Israel under PM Sharon the Palestinians called "withdrawal," Israel under PM Sharon took the bold step in August of withdrawing from the Gaza Strip and a portion of the northern West Bank Jewish settlers and the IDF units protecting them. The withdrawal process went very smoothly and was broadly hailed as a bold and creative step. As a result of the execution of Sharon's disengagement policy and implementation of the November 15 Agreement on Movement and Access, brokered by Secretary Rice, the Palestinians now have a significant degree of control over the Gaza Strip. The agreement brokered by the Secretary opens the way to (a) opening the Rafah border crossing between Gaza and Egypt; (b) resuming convoys between Gaza and the West Bank; (c) increasing throughflow at crossing points between Israel and the occupied territories; (d) decreasing restrictions on movement within the West Bank, and (e) making progress on a seaport and airport for Gaza.
- progress on a seaport and airport for Gaza.

  15. (C) Problems remain that could significantly affect future progress on the Israel-Palestinian conflict. The PA is having difficulty asserting its authority in Gaza and the West Bank as its ruling party, Fatah, is riven by internal rivalries, and is being challenged by terrorist groups like Hamas and the Palestinian Islamic Jihad (PIJ), and other armed militias and clans. Palestinian Authority (PA) President Mahmud Abbas secured an agreement from Hamas in March to stop attacks in order to allow disengagement to proceed, but Hamas and PIJ have conducted some attacks since this "Hudna" (calm) went into effect. The GOI continues to press PA President Abbas to assert his authority and dismantle the Palestinian terrorist groups as the first step in implementing President Bush's road map. The PA prefers to address the situation more gradually, fearful of provoking widespread clashes. The GOI has also called on the PA not to allow Hamas to run in January 2006 Palestinian Legislative Council elections. Its argument is that terrorist groups should not be allowed to participate in democratic elections. The PA response has been that elections will empower the PA to disarm militias subsequently. It is widely expected that Hamas candidates will run in the election.
- 16. (U) U.S. policy remains firmly anchored in President Bush's historic vision -- first enunciated in June 2002 -- o two states, Israel and Palestine, living side by side in peace and security. The USG remains committed to the performance-based road map under the auspices of the Quartet (the U.S., Russia, UN and EU) as the means for achieving the

President's vision. The Israeli and Palestinian sides have endorsed the road map — both with reservations — but need to take additional steps. Israel must continue to work with Palestinian leaders to improve the daily lives of Palestinians, while avoiding any activity that prejudices final status negotiations. As the President has noted, this means that Israel must remove unauthorized West Bank outposts and stop settlement expansion. It also means that the barrier now being built to protect Israelis from terrorist attacks must be a security barrier, rather than a political one, and take into account its impact on Palestinians who do not threaten Israel's security. On the other side, the Palestinians must stop terrorism, dismantle the terrorist infrastructure within their society, and take steps to ensure that a democratic society — with open and transparent governance — takes root. The storming by armed militants of polling stations in Gaza during the Fatah primaries on November 28 shows that they still have a number of major issues to address, just as continuing Israeli settlement construction and planned barrier construction in sensitive areas shows that progress remains to be made on the Israeli side.

 $\P 7.$  (U) Because of both ongoing negotiations to implement the Secretary's November 15 agreement and political campaigning

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by Israeli officials in the run-up to the March elections, we suggest that you avoid these topics to the extent possible, and engage your hosts on the broad range of DOE issues.

## ISRAEL'S NEIGHBORHOOD PRESENTS CHALLENGES

- 18. (C) Israel maintains that the greatest existential threat it faces is a nuclear-armed Iran. This issue of Iran's nuclear weapons program and how we intend to confront it are the subject of intense interest and concern on the part of Israel's political and military leadership. Israel's position is that the international community should press Iran harder -- diplomatically and via the threat of sanctions -- to get it to abandon its weapons program. They accept that the USG continues to support the EU3 process, but Israel is frustrated by what it believes is the EU3's record of concessions to Iran (e.g., uranium conversion) for little in return. Privately, GOI and IDF contacts have said that, at best, we can slow down Iran's program, but probably cannot stop it. Most Israeli officials also do not believe at this stage that anyone could successfully confront Iran militarily, noting that elements of Iran's nuclear program are dispersed throughout Iran and, in some cases, probably are hidden.
- 19. (C) Israel's northern border with Lebanon and Syria remains tense, and flared up on November 21 with attempted Hizballah incursions into Israel with the likely aim of kidnapping Israeli soldiers. IDF units positioned along the border operating under strict orders to show restraint in responding to Hizballah challenges successfully repelled the November 21 attacks, killing four Hizballah fighters. Israel returned the bodies of the fighters to the Lebanese government with the assistance of the Red Cross. The border is currently calm. Since Israel's withdrawal in 2000 from Southern Lebanon, the GOL has consistently resisted all international pressure to move Lebanese Armed Forces into areas along the border occupied by Hizballah. For the time being, UN peacekeepers assigned to the UN Interim Force in Lebanese side of the Israel-Lebanon border, often times within eyeshot of Hizballah positions a situation that causes consternation within the GOI and IDF.
- 110. (C) As the Mehlis investigation into the assassination of former Lebanese PM Hariri gets closer to supporters of Syrian President Al-Assad, there is concern within the GOI that Syria will lash out at Israel to deflect international attention away from the investigation. Indeed, the general consensus within the GOI is that this was the reason for the Hizballah attacks on November 21. GOI and IDF officials maintain that Al-Assad needs to be pressured into behaving according to international norms, but should not be pushed to the point of collapse, as this would in their view likely result in his regime's replacement by the growing Muslim Brotherhood in Syria.
- 111. (C) Israel and Egypt signed a peace treaty in 1979, and relations between the two countries have been peaceful, if somewhat cold, since then, with marked progress made during disengagement as a result of Egyptian-Israeli coordination over the Egypt-Gaza border. Israeli defense planners maintain that Egypt remains a serious potential military threat, and note that President Mubarak could in the future be replaced by a leader less friendly to Israel. As a result, GOI officials frequently complain about U.S. military sales to Egypt.
- 112. (C) Israel and Jordan signed a peace treaty in 1994, and relations between the two countries are good. Jordan has control of its border with Israel and prevents infiltration in either direction.
- $\P 13$ . (U) We recommend that you avoid answering requests to comment on Iran's nuclear program and how to deal with it. If you are pressed, we suggest you answer as follows:
- -- Iran's pursuit of the nuclear fuel cycle makes no sense considering the oil wealth of that country, and considering the lack of domestic uranium reserves in Iran to support a nuclear fuel cycle. It is unnecessarily provocative and destabilizing to regional and international security.
- -- The U.S. is pursuing a multilateral approach to dealing with Iran's nuclear weapons program, supporting the efforts of the EU3 and other like-minded nations that are rightly concerned with Iran's program. We are committed to widening the diplomatic consensus on the steps Iran must take to resolve this issue -- including cooperating fully with the IAEA and agreeing not to seek fissile material production capability in Iran.

-- If Iran refuses to return to negotiations on that basis, the next step should be an IAEA Board decision that reports Iran to the UN Security Council.

## COOPERATION WITH THE U.S. IS EXCELLENT

- 114. (C) The U.S. enjoys a strategic partnership with Israel, and overall relations between our two countries are excellent, based on U.S. support for Israel since its formation in 1948. The relationship recently suffered a bumpy period, however, due to high-profile tech transfer scandals -- the most noteworthy in recent times being Israel's sale of Harpy UAVs to China, an act that the USG maintains helped to put U.S. and allied forces in the Pacific at risk. In response to our concern about these transfers, Israel signed a Statement of Understanding (SOU) with the Pentagon in August requiring coordination on future, sensitive defense sales to third countries. GOI and IDF officials go overboard to stress that the signing of the SOU means that technology transfer scandals are "water under the bridge." The USG position is that Israel still has much work to do in order to restore the USG's trust in Israel's export control system.
- 115. (C) Israel and the U.S. exchange information and coordinate on policy through our annual Strategic Dialogue, the Joint Political-Military Working Group (JPMG), and the Defense Policy Advisory Group (DPAG). The last round of the Strategic Dialogue took place in Washington, D.C. November 28-29. The next JPMG is scheduled for January 2006.
- 116. (C) The fallout over the technology transfer scandals has not affected cooperation between the Department of Energy and the Israeli Atomic Energy Commission (IAEC) and Soreg Nuclear Research Center (NRC) under the Memorandum of Understanding (MOU) and the February 2000 Letter of Intent (LOI). Work continues on the several projects covered by the MOU and LOI. In August, a DOE delegation visited the Soreq NRC as part of an effort to enhance U.S.-Israel cooperation on combating radiological terrorism and mitigating the effects of radiological device detonations. The Israeli side was very pleased with that visit and looks forward to cooperation on this and other issues. In March, we discussed with Israel the idea of its participation in the Foreign Research Reactor Spent Nuclear Fuel Acceptance program, but the Israelis declined because (a) they claim that the DOE management fee is too expensive for them; and (b) contrary to the program's requirements, they wish to continue operating the Soreq NRC on highly-enriched uranium fuel. The Megaports project has been embraced as an integral part of Israeli border security by a GOI interagency team that includes key members of Israel's National Security Council, the IAEC, and customs authorities.
- 117. (U) This cable has been cleared with State's NP/RA and NEA/IPA.

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